

“(I) small business government contracting set-aside programs, including—

“(aa) programs for HUBZone small business concerns, small business concerns owned and controlled by service-disabled veterans, and small business concerns owned and controlled by women (as those terms are defined in section 3 of the Small Business Act (15 U.S.C. 632));

“(bb) programs for socially and economically disadvantaged small business concerns (as defined in section 8(a) of the Small Business Act (15 U.S.C. 637(a))); and

“(cc) contracting under the Small Business Innovation Research Program and the Small Business Technology Transfer Program (as those terms are defined in section 9(e) of the Small Business Act (15 U.S.C. 638(e)));

“(II) determining small business size standards and using North American Industry Classification System codes in relation to contracting set-aside programs and subcontracting goals; and

“(III) any other issue relating to contracting with small business concerns (as defined under section 3 of the Small Business Act (15 U.S.C. 632)) determined appropriate by the Administrator.”.

By Mr. HATCH:

S. 3445. A bill to amend the Internal Revenue Code of 1986 to allow an above-the-line deduction for certain professional development and other expenses of elementary and secondary school teachers and for certain certification expenses of individuals becoming science, technology, engineering, or math teachers; to the Committee on Finance.

Mr. HATCH. Mr. President, I rise today to introduce legislation designed to increase tax fairness for America's primary and secondary school teachers.

Our public school teachers are some of the unheralded heroes of our society. These women and men dedicate their careers to educating the young people of America. School teachers labor in often difficult and even dangerous circumstances. In most places, including in my home state of Utah, the salary of the average public school teacher is significantly below the national average.

For a variety of economic and organizational reasons, schools across the nation are experiencing difficulties in recruiting teachers—especially in the fields of math and science. There are at least two sources to this problem. First, schools are experiencing high levels of turnover related to retirement, relocation, and attrition. Second, there is an insufficient supply of new qualified math and science teachers coming in to the schools to compensate for the turnover.

As a result of these factors, 31 percent of secondary schools across the nation report difficulties in filling math and science faculty positions. This teacher recruitment problem is especially troubling because it disproportionately affects small schools in urban and rural areas, especially those with limited access to funding.

Unfortunately, the problems of retention and recruitment of public school teachers are exacerbated by the unfair tax treatment these professionals cur-

rently receive under our tax law. Specifically, teachers are greatly disadvantaged by the lack of deductibility of the total amount of out-of-pocket costs of classroom materials that practically all teachers find themselves supplying, as well as by the inability to deduct their professional development expenses. Let me explain.

As with many other professionals, most elementary and secondary school teachers regularly incur expenses to keep themselves current in their fields of knowledge. These include subscriptions to journals and other periodicals as well as the cost of courses and seminars designed to improve their knowledge or teaching skills. For example, in order to be certified by the National Board for Professional Teaching Standards, NBPTS, a teacher must pay a fee of \$2,500. Expenditures like these are necessary to keep our teachers up to date on the latest ideas, techniques, and trends so that they can provide our children with the best education possible.

Furthermore, almost all teachers find themselves spending not insignificant amounts of money to provide basic classroom materials for their students. Because of tight education budgets, most schools do not provide 100 percent of the material teachers need to adequately present their lessons. New teachers in their first and second years are especially susceptible to a large financial burden as they must start from scratch in establishing a curriculum and classroom for their students.

I realize that employees in many fields incur expenses for professional development and out-of-pocket expenses. In many cases, however, these costs are reimbursed by the employer. This is seldom the case with school teachers. Other professionals who are self-employed are generally able to fully deduct these types of expenses.

Under the current tax law, unreimbursed expenses for all employees are deductible generally, but only as miscellaneous itemized deductions. However, there are two practical hurdles that effectively make these expenses non-deductible for most teachers. The first hurdle is that the total amount of a taxpayer's deductible miscellaneous deductions must exceed 2 percent of gross income before they begin to be deductible.

The second hurdle is that the amount in excess of the 2 percent floor, if any, combined with all other deductions of the taxpayer, must exceed the standard deduction before the teacher can itemize. Only about one-third of taxpayers have enough deductions to itemize. The unfortunate effect of these two limitations is that, as a practical matter, only a small proportion of teachers are able to deduct their professional development and out-of-pocket supplies expenses.

Let me illustrate this unfair situation with an example. Let us consider the case of a first-year teacher in Utah,

whom we will refer to as Michelle. Michelle is newly married. She and her husband together expect to earn \$48,000 this year. As a brand-new teacher, Michelle has none of the classroom decorations, materials, or curriculum aides that veteran teachers have accumulated. In an effort to quickly collect some necessary items for her classroom, a new teacher like Michelle will probably spend close to \$1,500 of her own money. She will not be reimbursed for any of these expenses by the school district.

Under current law, Michelle's expenditures are deductible, subject to the two limitations I mentioned. The first limitation is that her expenses must exceed 2 percent of her and her husband's joint income before they begin to be deductible. Two percent of \$48,000 is \$960. Thus, only \$540 of her \$1,500 total expense is potentially deductible—that portion that exceeds \$960.

As a married taxpayer, Michelle's standard deduction this year is \$11,400. Her total itemized deductions, including the \$540 in qualified miscellaneous deductions for her professional expenses and out-of-pocket classroom supplies, will fall far short of the standard deduction threshold. Therefore, not even the \$540 of the original \$1,500 in out-of-pocket costs is deductible for Michelle. What the first limitation did not block, the second one did, and Michelle gets no deduction at all for these expenses under the current law.

The entry-level employees in the teaching field are the first- and second-year teachers like Michelle, who receive the lowest relative salary and yet often incur the greatest school-related expenses. These expenses place a heavy burden on our teachers and can act as a significant barrier to entry to the teaching profession. Many of these new teachers are renting and fresh out of college, and are thus very unlikely to be able to itemize their deductions. Therefore, without the ability to itemize, the teachers with the greatest need of tax relief are the ones least likely to receive it.

This problem is not isolated to first-year teachers. Veteran educators, like Kristen Adamson, also an elementary school teacher in Utah, have also expressed their concerns about this tax inequity. Kristen is preparing for a class of 35 fifth-graders next year—the most she's ever had. She, like most teachers, feels that it is her duty to provide all of her students with the materials they will need to successfully complete their school work. There are few careers that I know of in which employees take similar initiative.

This year, due to limited state funding, Kristen will be forced to choose between a class set of colored pencils or a class set of crayons. Whatever the district does not provide, Kristen will be forced to purchase herself. Further, the school district provides only one